Agriculture and Agri-Food Canada | Agriculture et Agroalimentaire Canada

Financial Statements of the Canadian Pari-Mutuel Agency Revolving Fund

Year ended March 31, 2012

Aussi offert en français sous le titre :
États financiers du Fonds renouvelable de l'Agence canadienne du pari-mutuel

Canada

CANADIAN PARI-MUTUEL AGENCY REVOLVING FUND

STATEMENT OF MANAGEMENT RESPONSIBILITY

We have prepared the accompanying financial statements of the Canadian Pari-Mutuel Agency Revolving Fund as required by and in accordance with the policy of Treasury Board on revolving funds and the reporting requirements and standards of the Receiver General for Canada. These financial statements were prepared by the management of the Fund in accordance with the significant accounting policies set out in Note 2 of the statements, on a basis consistent with that of the preceding year.

Responsibility for the integrity and objectivity of these financial statements rests with the management of the Fund. The information included in these financial statements is based on management's best estimates and judgement with due consideration given to materiality. To fulfil its accounting and reporting responsibilities, the Fund maintains a set of accounts which provides a centralized record of the Fund's financial transactions. Financial information submitted to the *Public Accounts of Canada* and included in the department's Departmental Performance Report is consistent with that in these financial statements.

The Fund's Corporate Services division develops and disseminates financial management and accounting policies and issues specific directives which maintain standards of accounting and financial management. The Fund maintains systems of financial management and internal control which gives due consideration to costs, benefits and risks. They are designed to provide reasonable assurance that transactions are properly authorized by Parliament, are executed in accordance with prescribed regulations, and are properly recorded to maintain accountability of Government funds and safeguard the assets under the Fund's administration. Financial management and internal control systems are augmented by the maintenance of internal audit programs. The Fund also seeks to assure the objectivity and integrity of data in its financial statements by careful selection, training and development of qualified staff, by organizational arrangements that provide appropriate divisions of responsibility and by communication programs aimed at ensuring that its regulations, policies, standards and managerial authorities are understood throughout the organization.

CANADIAN PARI-MUTUEL AGENCY REVOLVING FUND

STATEMENT OF MANAGEMENT RESPONSIBILITY - Concluded

Management has presented the financial statements to an external auditing firm, which has audited them and has provided an independent opinion that has been appended to these financial statements.

Approved by:

Steve Suttie
Executive Director, Canadian Pari-Mutuel Agency

Matt Shea
Director General
Finance and Resource Management Services
(Deputy Chief Financial Officer)

Pierre Corriveau
Assistant Deputy Minister Corporate Management
(Chief Financial Officer)

2012-05-29
Date

Independent Auditor's Report

To the Assistant Deputy Minister, Corporate Management
Agriculture and Agri-Food Canada

We have audited the accompanying financial statements of the Canadian Pari-Mutuel Agency Revolving Fund, which comprise the statement of financial position as at March 31, 2012, and the statements of operations and net assets (liabilities), and cash flow for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Section 6.4 of the Treasury Board of Canada's Policy on Special Revenue Spending Authorities, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of the Canadian Pari-Mutuel Agency Revolving Fund as at March 31, 2012 and the results of its operations and its cash flow for the year then ended in accordance with Section 6.4 of the Treasury Board of Canada's Policy on Special Revenue Spending Authorities.

PricewaterhouseCoopers LLP, Chartered Accountants
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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership

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Emphasis of matter
Without modifying our opinion, we draw attention to Note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared solely for the information and use of the Canadian Pari-Mutuel Agency Revolving Fund and the Treasury Board of Canada for reporting on the use of the Fund authority. The financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose.

Other matter
The financial statements of the Canadian Pari-Mutuel Agency Revolving Fund for the year ended March 31, 2011 were audited by another auditor who expressed an unmodified opinion on those statements on May 30, 2011.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants
May 29, 2012

Financial Statements of

CANADIAN PARI-MUTUEL AGENCY REVOLVING FUND

March 31, 2012

CANADIAN PARI-MUTUEL AGENCY REVOLVING FUND

STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31
(in thousands of dollars)

	2012	2011
ASSETS		
Current		
Cash in transit	79	54
Accounts receivable		
Government of Canada	30	52
Outside parties (Note 3)	288	194
Accountable advances to employees	1	1
	398	301
Long-term		
Capital assets (Note 4)		
At cost	4,473	4,023
Less: accumulated amortization	2,581	2,088
	1,892	1,935
	2,290	2,236

	2012	2011
LIABILITIES		
Current		
Accounts payable and accrued liabilities		
Government of Canada	27	208
Outside parties		
Accounts payable	430	957
Vacation pay	247	265
Current portion of the employee termination benefits liability (Note 5)	-	75
	704	1,505
Long-term		
Employee termination benefits liability (Note 5)	316	868
NET ASSETS (LIABILITIES) (Note 6)	1,270	(137)
	2,290	2,236

Contractual obligations (Note 7)
Economic dependence (Note 9)
The accompanying notes are an integral part of the financial statements.

CANADIAN PARI-MUTUEL AGENCY REVOLVING FUND

STATEMENT OF OPERATIONS AND NET ASSETS (LIABILITIES)
FOR THE YEAR ENDED MARCH 31
(in thousands of dollars)

	2012	2011
Revenues		
Pari-mutuel levy	11,218	11,569
Other revenues	19	31
	11,237	11,600
Operating expenses		
Salaries and employee benefits	4,091	4,418
Provision for employee termination benefits	(119)	(104)
Professional and special services		
Drug control	3,460	2,935
Race patrol	-	2,089
Photo finish	-	570
Drug research	278	238
Other	859	887
Transportation and telecommunications	567	590
Rentals	529	548
Amortization of capital assets	493	319
Utilities, materials and supplies	130	160
Other expenses	-	(12)
	10,288	12,638
Net results	949	(1,038)
Net liabilities, beginning of year	(137)	(216)
Net financial resources used and change in the accumulated net charge against the Fund's authority, during the year	458	938
Contributed capital	-	179
Net assets (liabilities), end of year	1,270	(137)

The accompanying notes are an integral part of the financial statements.

CANADIAN PARI-MUTUEL AGENCY REVOLVING FUND

STATEMENT OF CASH FLOW
FOR THE YEAR ENDED MARCH 31
(in thousands of dollars)

	2012	2011
Operating activities		
Net results	949	(1,038)
Items not affecting the use of cash:		
Provision for employee termination benefits	(119)	(104)
Amortization of capital assets	493	319
	1,323	(823)
Changes in current assets and liabilities (Note 8)	(823)	(33)
Payment of employee termination benefits	(508)	(82)
Net financial resources used in operating activities	(8)	(938)
Investing activities		
Purchase of capital assets	(450)	(179)
Financing activities		
Contributed capital	-	179
Net financial resources used and change in the accumulated net charge against the Fund's authority, during the year	(458)	(938)
Accumulated net charge against the Fund's authority, beginning of year	2,479	3,417
Accumulated net charge against the Fund's authority, end of year	2,021	2,479

The accompanying notes are an integral part of the financial statements.

CANADIAN PARI-MUTUEL AGENCY REVOLVING FUND

STATEMENT OF AUTHORITY PROVIDED (USED) (UNAUDITED)
FOR THE YEAR ENDED MARCH 31
(in thousands of dollars)

	2012		2011	
	Estimates	Actual	Estimates	Actual
Net results	(1,419)	949	(2,242)	(1,038)
Add: items not requiring use of funds	150	374	150	215
Operating source (use) of funds	(1,269)	1,323	(2,092)	(823)
Less: items requiring use of funds				
Net capital acquisitions	150	450	150	179
Net other assets and liabilities	-	619	-	(179)
Authority provided (used)	(1,419)	254	(2,242)	(823)

The accompanying notes are an integral part of the financial statements.

CANADIAN PARI-MUTUEL AGENCY REVOLVING FUND

RECONCILIATION OF UNUSED AUTHORITY (UNAUDITED)

AS AT MARCH 31

(in thousands of dollars)

	2012	2011
Debit balance in the accumulated net charge against the Fund's authority	(2,021)	(2,479)
Add: PAYE charges against the appropriation after March 31	456	1,165
Less: amounts credited to the appropriation after March 31	108	105
Net authority provided, end of year	(1,673)	(1,419)
Transfer from Treasury Board - paylist requirements (Vote 30) (Note 1)	503	-
Authority limit (Note 1)	2,000	2,000
Unused authority carried forward	4,176	3,419

The accompanying notes are an integral part of the financial statements.

1. Authority and purpose

The Canadian Pari-Mutuel Agency Revolving Fund ("CPMA" or the "Fund") was established under Appropriation Act No. 1, 1970, which authorized the operation of the Fund in the current and subsequent fiscal years in accordance with terms and conditions prescribed by the Treasury Board for the purpose of providing race track supervision in Canada. The Appropriation Act No.1, 1970 was repealed and replaced by Section 2 of the Revolving Funds Act in 1985.

CPMA has a continuing non-lapsing authority from Parliament to make payments out of the Consolidated Revenue Fund for working capital, capital asset acquisitions and temporary financing of accumulated operating deficits, the total of which is not to exceed $2,000,000 at any time.

CPMA's mandate is to regulate and supervise pari-mutuel betting at racetracks across Canada, thereby ensuring that pari-mutuel betting is conducted in a way that is fair to the betting public. In order to focus its resources on activities more closely aligned with its core mandate of ensuring the integrity of the pari-mutuel betting system, the CPMA discontinued the provision video race patrol and photo finish programs to the industry effective April 1, 2011.

CPMA is not subject to income tax under the provisions of the Income Tax Act.

On March 21, 2012, CPMA received an allotment transfer from the Treasury Board Vote 30 (Paylist Requirements) in the amount of $503,000. This increase in available authority is for the provision to eliminate the accumulation of severance for voluntary termination for CPMA employees that have opted for the immediate cash-out of accumulated severance pay. The CPMA will repay Treasury Board over the next 10 years and repayments will commence in the fiscal year ending March 31, 2013.

2. Significant accounting policies

These financial statements have been prepared in accordance with the significant accounting policies issued by Treasury Board and the reporting requirements of the Receiver General for Canada. The basis of accounting used in these financial statements differs from Canadian generally accepted accounting principles for the public sector because employees' vacation pay is based on management's estimates of the liabilities rather than based on actuarial valuations.

The significant accounting policies are as follows:

(a) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. The more significant areas requiring the use of estimates relate to employee termination benefits, accrued liabilities, the allowance for doubtful accounts and the estimated useful lives of capital assets. Actual results could differ from these estimates. These estimates are reviewed annually and as adjustments become necessary, they are recorded in the financial statements in the year in which they become known.

2. Significant accounting policies (continued)

(b) Accounts receivable

Accounts receivable are stated at amounts expected to be ultimately realized; a provision is made for receivables when a recovery is considered uncertain.

(c) Revenue recognition

Revenues are generated through a levy of 0.8% applied to every dollar bet at Canadian racetracks.

(d) Capital assets

Capital assets are recorded at cost and are amortized from the year of the acquisition on a straight-line basis over their estimated useful lives as follows:

Furniture and equipment	10 to 15 years
Electronic data processing equipment	5 years
Automotive	8 to 10 years
Buildings	20 to 25 years
Assets under construction	Once in service, in accordance with asset class
Leasehold improvements	Lesser of the remaining of the occupancy instrument or useful life of the improvement

(e) Pension plan

Employees of CPMA are covered by the Public Service Superannuation Act and the Supplementary Retirement Benefits Act. The Government of Canada's portion of the pension cost is included in the employee benefits charge assessed against CPMA. The actual payment of the pension is made from the Public Service Superannuation and the Supplementary Retirement Benefits Accounts. CPMA is not required under the present legislation to make contributions with respect to actuarial deficiencies.

(f) Vacation Pay

Vacation pay is expensed as the benefits accrue to employees under their respective terms of employment.

(g) Employee termination benefits

Employees of CPMA are entitled to specified termination benefits, calculated based on salary levels in effect at the time of termination as provided for under collective agreements and conditions of employment. The cost of these benefits is recorded in the accounts as the benefits accrue to the employees. The liability relating to the benefits earned by CPMA employees is calculated using information derived from the results of the actuarially determined liability for employee termination benefits for the Government of Canada as a whole.

(h) Sick leave

Employees are permitted to accumulate unused sick leave. However, such leave entitlements may only be used in the event of an illness. Unused sick leave upon employee termination is not payable to the employee. Accordingly, no amounts have been recorded in CPMA's financial statements in regards to unused sick leave.

3. Accounts receivable – outside parties

Outside parties accounts receivable are as follows (in thousands of dollars):

	2012	2011
Receivables	288	295
Allowance for doubtful accounts	-	(101)
	288	194

4. Capital assets

(in thousands of dollars)

Capital assets	Balance, beginning of year	Acquisitions	Balance, end of year
Furniture and equipment	1,712	-	1,712
Electronic data processing equipment	750	-	750
Automotive	59	-	59
Buildings	575	-	575
Leasehold improvements	829	-	829
Land	98	-	98
Assets under construction	-	450	450
	4,023	450	4,473

Accumulated amortization	Balance, beginning of year	Amortization	Balance, end of year
Furniture and equipment	852	170	1,022
Electronic data processing equipment	182	131	313
Automotive	49	4	53
Buildings	575	-	575
Leasehold improvements	430	188	618
	2,088	493	2,581

5. Employee termination benefits liability

(in thousands of dollars)

	2012	2011
Employee termination benefits liability, beginning of year	943	1,129
Employee termination benefits paid during the year	(508)	(82)
Provision for employee termination benefits	(119)	(104)
Employee termination benefits liability, end of year	316	943
Less: current portion of employee termination benefits liability	-	(75)
Long-term portion of employee termination benefits liability	316	868

6. Net assets (liabilities)

(in thousands of dollars)

	2012	2011
Accumulated net charge against the Fund's authority	(2,021)	(2,479)
Accumulated surplus	3,291	2,163
Contributed capital	-	179
	1,270	(137)

Accumulated net charge against the Fund's authority

The accumulated net charge against the Fund's authority is the non-lapsing authority amount that has been used since the inception of the Fund.

Accumulated surplus

The accumulated surplus is an accumulation of each year's surpluses and deficits including the absorption of the opening net assets upon establishment of the Fund.

Contributed capital

In the fiscal year ending March 31, 2012, there were no additional capital contributions ($179,000 in 2011) from Treasury Board to fund the implementation of the Modernizing Federal Laboratories Initiative.

7. Contractual obligations
(in thousands of dollars)

CPMA leases its premises under occupancy instruments. An occupancy instrument is a formal agreement between CPMA and Public Works and Government Services Canada recording the terms and conditions that govern the provision and occupancy of the accommodation. CPMA is also engaged in contractual obligations for rental of equipment. Expected future payments are as follows:

2013	514
2014	162
2015	135
2016	32
2017 and thereafter	142
	985

8. Changes in current assets and liabilities
(in thousands of dollars)

	2012	2011
Cash in transit	(25)	(17)
Accounts receivable		
Government of Canada	22	(22)
Outside parties – accounts receivable	(94)	122
Accounts payable and accrued liabilities		
Government of Canada	(181)	(57)
Outside parties – accounts payable	(527)	(19)
Outside parties – vacation pay	(18)	(40)
	(823)	(33)

9. Economic dependence

The CPMA is funded solely by a federal levy on pari-mutuel betting in Canada on horse racing, a significant portion of which is generated by the largest racetrack in Canada - the Woodbine Racetrack ("Woodbine") in Toronto, Ontario.

Woodbine generated $6,026,338 ($6,207,009 in 2011) or 54% (54% in 2011) of the CPMA's total pari-mutuel levy for the year ending March 31, 2012. As at March 31, 2012, $52,840 ($31,818 in 2011) or 18% (12% in 2011) of the CPMA's accounts receivable were owed from this organization.